



Senate

General Assembly

February Session, 2012

File No. 368

Senate Bill No. 313

Senate, April 11, 2012

The Committee on Environment reported through SEN. MEYER of the 12th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING START-UP FARMERS WHO ARE VETERANS OF THE ARMED FORCES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (63) of section 12-412 of the 2012 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective from passage*):

4 (63) (A) Sales of and the storage, use or other consumption of
5 tangible personal property exclusively for use in agricultural
6 production, as defined in this subsection, by a farmer engaged in
7 agricultural production as a trade or business and to whom the
8 Department of Revenue Services has issued a farmer tax exemption
9 permit, provided such farmer's gross income from such agricultural
10 production, as reported for federal income tax purposes, shall have
11 been (i) not less than two thousand five hundred dollars for the
12 immediately preceding taxable year, or (ii) on average, not less than
13 two thousand five hundred dollars for the two immediately preceding
14 taxable years.

15 (B) The Commissioner of Revenue Services shall adopt regulations
16 in accordance with chapter 54 requiring periodic registration for
17 purposes of the issuance of farmer tax exemption permits, including (i)
18 a procedure related to the application for such permit, such application
19 to include a declaration, prescribed as to form by the Commissioner of
20 Revenue Services and bearing notice to the effect that false statements
21 made in such declaration are punishable, to be signed by the applicant,
22 and (ii) a form of notice concerning the penalty for misuse of such
23 permit.

24 (C) As used in this subsection, (i) "agricultural production" means
25 engaging, as a trade or business, in (I) the raising and harvesting of
26 any agricultural or horticultural commodity, (II) dairy farming, (III)
27 forestry, (IV) the raising, feeding, caring for, shearing, training or
28 management of livestock, including horses, bees, poultry, fur-bearing
29 animals or wildlife or (V) the raising and harvesting of fish, oysters,
30 clams, mussels or other molluscan shellfish; and (ii) "farmer" means
31 any person engaged in agricultural production as a trade or business.

32 (D) The Department of Revenue Services may issue a farmer tax
33 exemption permit to a farmer, notwithstanding the fact that, in the
34 farmer's immediately preceding taxable year, such farmer's gross
35 income from agricultural production engaged in as a trade or business
36 may have been less than two thousand five hundred dollars, provided
37 (i) such farmer purchased, during such farmer's current or
38 immediately preceding taxable year, an agricultural trade or business
39 from a seller who was issued a farmer tax exemption permit by such
40 department at the time of such purchase and [(ii)] such agricultural
41 production shall be carried on as a trade or business by such purchaser
42 during the period commencing upon the purchase and ending two
43 years after the date of purchase, or (ii) such farmer is a veteran, as
44 defined in section 27-103, who has never engaged in the practice of
45 farming or who has engaged in the practice of farming for less than
46 two years. Such purchaser shall be liable for the tax otherwise
47 imposed, during the period commencing upon such purchase and
48 ending two years after the date of purchase, if such agricultural

49 production is not carried on as a trade or business by such purchaser
50 during the period commencing upon such purchase and ending two
51 years after the date of purchase.

52 (E) (i) The Department of Revenue Services, under such regulations
53 as the Commissioner of Revenue Services may adopt in accordance
54 with the provisions of chapter 54, may issue a farmer tax exemption
55 permit to an applicant, provided such applicant has satisfied the
56 commissioner that the applicant intends to carry on agricultural
57 production as a trade or business for at least two years,
58 notwithstanding the fact that the applicant was not engaged in
59 agricultural production as a trade or business in the immediately
60 preceding taxable year or, if the applicant was engaged in agricultural
61 production as a trade or business in the immediately preceding taxable
62 year, notwithstanding the fact that the applicant's gross income from
63 such agricultural production, as reported for federal income tax
64 purposes, was less than two thousand five hundred dollars for the
65 immediately preceding taxable year or, on average, less than two
66 thousand five hundred dollars for the two immediately preceding
67 taxable years.

68 (ii) Such applicant shall be liable for the tax imposed under this
69 chapter during the period commencing upon the issuance of the
70 permit and ending two years after the date of issuance of the permit if
71 agricultural production is not carried on as a trade or business by such
72 applicant during such entire period.

73 (iii) Such applicant shall also be liable for the tax otherwise
74 imposed, during the period commencing upon the issuance of the
75 permit and ending two years after the date of issuance of the permit, if
76 (I) such applicant's gross income from such agricultural production, as
77 reported for federal income tax purposes, is less than two thousand
78 five hundred dollars for the immediately preceding taxable year or, on
79 average, less than two thousand five hundred dollars for the two
80 immediately preceding taxable years, and (II) such applicant's
81 expenses from such agricultural production, as reported for federal

82 income tax purposes, are less than two thousand five hundred dollars
83 for the immediately preceding taxable year or, on average, less than
84 two thousand five hundred dollars for the two immediately preceding
85 taxable years.

86 (iv) Any applicant liable for tax under clause (ii) or (iii) of this
87 subparagraph shall not be eligible to be issued another permit under
88 clause (i) of this subparagraph.

89 Sec. 2. Section 22-26l of the general statutes is repealed and the
90 following is substituted in lieu thereof (*Effective from passage*):

91 (a) The Department of Agriculture shall establish and administer a
92 Connecticut Farm Link program to establish a database of farmers and
93 agricultural land owners who intend to sell their farm operations or
94 agricultural land. The database shall be maintained by the Department
95 of Agriculture and shall be made available to the public on the
96 department's web site. Persons interested in starting an agricultural
97 business or persons interested in expanding a current agricultural
98 business may notify the department and have their names, contact
99 information and intentions regarding such businesses placed on the
100 web site. The department shall make reasonable efforts to facilitate
101 contact between parties with similar interests, including, but not
102 limited to, growing and processing crops as feedstock for biodiesel
103 heating and transportation fuels. The Department of Agriculture shall
104 collaborate with the Department of Veterans' Affairs and the Labor
105 Department to encourage and assist veterans in starting or expanding
106 an agricultural business and to provide education and training
107 opportunities to veterans concerning farming or agricultural
108 operations.

109 (b) The Department of Agriculture shall post educational materials
110 regarding the Connecticut Farm Link program on the department's
111 web site, including, but not limited to, information regarding farm
112 transfer and farm succession planning, family farm estate planning,
113 farm transfer strategies, farm leasing, formation of farm partnerships,
114 growing and processing crops as feedstock for biodiesel heating and

115 transportation fuels and information regarding starting a farm
116 business.

This act shall take effect as follows and shall amend the following sections:		
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Section 1	<i>from passage</i>	12-412(63)
Sec. 2	<i>from passage</i>	22-26l

VA *Joint Favorable C/R*

ENV

ENV *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 13 \$	FY 14 \$
Department of Revenue Services	GF - Potential Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 13 \$	FY 14 \$
Various Municipalities	Potential Revenue Loss	See Below	See Below

Explanation

The bill results in a potential revenue loss by extending a sales tax exemption on items used in agricultural production to veterans who intend to farm or who have been farming for less than two years ("start-up famers").

The actual revenue loss is dependent upon the number of start-up farmers who would otherwise not qualify for the exemption under current law. Under current law, a veteran (and any non-veteran start-up farmer) would qualify for the exemption if he or she carries on agricultural production as a trade or business for at least two years and meets the income and expense requirements outlined in statute. The number of start-up farmers who will qualify for the exemption as a result of the bill is unknown. But it is anticipated that each exemption permitted would result in a state revenue loss of \$1,500 on average per start-up farmer per year. There would also be a corresponding minimal revenue loss of less than \$100 per farmer per year to the municipal revenue share account as a result of the decrease in sales tax

collected.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation. The revenue loss would also be contingent upon the number of qualifying start-up farmers.

OLR Bill Analysis**SB 313*****AN ACT CONCERNING START-UP FARMERS WHO ARE VETERANS OF THE ARMED FORCES.*****SUMMARY:**

This bill creates incentives for veterans to become farmers or involved with agricultural business. It does this by extending an exemption from the sales and use tax on personal property sold for use in agricultural production to veterans who are newly or recently engaged in the practice of farming.

The bill also requires the departments of Agriculture, Veterans' Affairs, and Labor to collaborate to (1) encourage and assist veterans to start or expand an agricultural business and (2) provide education and training opportunities to them in farming and agricultural operations (see BACKGROUND).

By law, a "veteran" is an individual honorably discharged or released under honorable conditions from active service in the U.S. armed forces. The statutes define "armed forces" to mean the U.S. Army, Navy, Marine Corps, Coast Guard, Air Force, their reserve components, and the state's National Guard under federal service (CGS § 27-103).

EFFECTIVE DATE: Upon passage

FARMER TAX EXEMPTION

State law grants a farmer engaged in agricultural production as a trade or business an exemption (through a farmer tax exemption permit) from the sales and use tax for tangible personal property he or she uses or consumes exclusively for this production. In general, to qualify, the farmer must apply to the Department of Revenue Services

(DRS) and show that he or she had a gross income from agricultural production during the preceding tax year of at least \$2,500, or an average of at least \$2,500 over the preceding two tax years, as reported for federal income tax purposes.

Existing law authorizes DRS to waive this income requirement for someone who purchases an agricultural trade or business from a seller who was issued and held a valid farmer tax exemption permit at the time of the sale. The exemption is valid for two years after the purchase. A person with an exemption permit under these circumstances who does not work in agricultural production for two years after the purchase is liable for the tax.

The bill extends the waiver to include veterans who never engaged in the practice of farming or did so for less than two years.

By law, any applicant may be eligible for a farmer tax exemption permit if the applicant establishes, to the commissioner's satisfaction, that the he or she intends to carry on agricultural production as a trade or business for at least two years (Conn. Agencies Reg. § 12-412 (63)-1). If a person issued the permit under this condition does not work in agricultural production for two years after the permit is issued, or does not earn and spend more than \$2,500 in the preceding year or on average over the preceding two years, he or she must pay the tax. If the person must pay under either of these conditions, he or she is ineligible for another income-requirement-waived farmer tax exemption permit.

BACKGROUND

Farm Link Program

The law requires the Department of Agriculture to establish, administer, and maintain a database ("Farm Link") of farmers and agricultural land owners who intend to sell their farm operations or agricultural land. People interested in starting or expanding an agricultural business may authorize the department to enter their names, contact information, and business intentions into the database.

The department must make reasonable efforts to link people with similar interests. It must also post educational materials about the program on its website. The material must include information about farm transfer and succession planning, family farm estate planning, farm transfer strategies, farm leasing, forming farm partnerships, and starting a farm business.

COMMITTEE ACTION

Select Committee on Veterans' Affairs

Joint Favorable Change of Reference

Yea 10 Nay 0 (03/13/2012)

Environment Committee

Joint Favorable

Yea 27 Nay 0 (03/23/2012)